

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIF**



**FILED**

10-19-07

Investigation 07-01-019 PM  
(Filed January 11, 2007)

Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities.

In the Matter of the Application of Golden State Water Company (U 133 W) for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates.

Application 06-09-006  
(Filed September 6, 2006)

Application of California Water Service Company (U 60 W), a California Corporation, requesting an order from the California Public Utilities Commission Authorizing Applicant to Establish a Water Revenue Balancing Account, a Conservation Memorandum Account, and Implement Increasing Block Rates.

Application 06-10-026  
(Filed October 23, 2006)

Application of Park Water Company (U 314 W) for Authority to Implement a Water Revenue Adjustment Mechanism, Increasing Block Rate Design and a Conservation Memorandum Account.

Application 06-11-009  
(Filed November 20, 2006)

Application of Suburban Water Systems (U 339 W) for Authorization to Implement a Low Income Assistance Program, an Increasing Block Rate Design, and a Water Revenue Adjustment Mechanism.

Application 06-11-010  
(Filed November 22, 2006)

Application of San Jose Water Company (U 168 W) for an Order Approving its Proposal to Implement the Objectives of the Water Action Plan.

Application 07-03-019  
(Filed March 19, 2007)

**MOTION OF THE DIVISION OF RATEPAYER ADVOCATES  
AND GOLDEN STATE WATER COMPANY  
TO APPROVE SETTLEMENT AGREEMENT ON WRAM AND CONSERVATION  
RATE DESIGN ISSUES  
(SETTLEMENT AGREEMENT ATTACHED)**

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October 19, 2007

**Before the Public Utilities Commission of the State of California**

Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities.	Investigation 07-01-022 (Filed January 11, 2007)
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**MOTION OF  
THE DIVISION OF RATEPAYER ADVOCATES  
AND GOLDEN STATE WATER COMPANY  
TO APPROVE SETTLEMENT AGREEMENT  
(SETTLEMENT AGREEMENT ATTACHED)**

**I. INTRODUCTION**

Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure ("Rules") and the May 29, 2007, Assigned Commissioner's Ruling that modified the procedural schedule ("May 29 Ruling"),<sup>1</sup> the Division of Ratepayer Advocates ("DRA"),

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<sup>1</sup> Administrative Law Judge's Ruling Consolidating Application Of San Jose Water Company, Modifying Schedule And Addressing Phase I Hearings (May 29, 2007).

and Golden State Water Company ("GSWC" or the "Company") (together, the "Parties") submit this Motion to Approve the Settlement Agreement Between the Division of Ratepayer Advocates and Golden State Water Company on WRAM and Conservation Rate Design Issues ("Settlement Agreement").

In the attached Settlement Agreement, the Parties propose a Pilot Program consisting of conservation rate designs, reduced service charges and increased quantity charges, water revenue adjustment mechanisms ("WRAMs"), modified cost balancing accounts ("MCBA") as more fully described below.

The Settlement Agreement fulfills the criteria that the Commission requires for approval of such settlements in that it is reasonable in light of the whole record, consistent with the law, and in the public interest. For these reasons, the Commission should grant this Motion and adopt the proposed settlement as set forth in the attached Settlement Agreement.

## **II. PROCEDURAL BACKGROUND**

On September 5, 2006, GSWC filed its Application for Authority to Implement Changes in Rate-Setting Mechanisms and Reallocation of Rates ("Original Application") for all of its ratemaking districts.<sup>2</sup> In its Original Application, GSWC requested:

1. A. WRAM that decouples sales and revenues;
2. Increasing block rates<sup>3</sup>;
3. Water quality memorandum and water quality compliance offset accounts;
4. Long term planning for water infrastructure projects;
5. Water shortage allocation policies;
6. Infrastructure system replacement surcharge;

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<sup>2</sup> Application of Golden State Water Company (U 133 W), for Authority to Implement Changes in Rate-Setting Mechanisms and Reallocation of Rates, A.06-09-006.

<sup>3</sup> Application at 8-11.

7. State bond funding of water infrastructure projects;
8. State-wide rate for GSWC operations;
9. Improvement in the regulatory and investment; and
10. Consolidation of non-viable water utilities.

In the Commission's Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities adopted on January 11, 2007 (the "OII"), the Commission consolidated the Original Application (A.06-09-006) and several other applications for conservation rates into the above-captioned proceeding. On January 29, 2007, parties filed responses to the preliminary scoping memo contained in the OII, and a prehearing conference was held on February 7, 2007. On March 8, 2007, a final scope and two-phased schedule for this proceeding was adopted in an Assigned Commissioner's Ruling and Scoping Memo ("Scoping Memo"). The Scoping Memo defined Phase 1 as follows:

The first phase of this proceeding will address rate-related conservation measures, including the parties' increasing block rate and Water Revenue Adjustment Mechanism (WRAM) proposals. Any settlements and motions proposing their adoption under Rule 12.1 of the Commission's Rules of Practice and Procedure shall be filed on or before April 23, 2007. In order to assess how any settlement addresses the rate-related conservation objectives identified in the OII, I will order the settling parties to discuss relevant issues in the motion proposing the settlement agreement and/or the settlement.<sup>4</sup>

The Scoping Memo also denied GSWC's petition to modify the OII but granted GSWC the opportunity to amend its Application to present its rate-related conservation proposals. On April 23, 2007, GSWC filed an Amendment of Application of Golden State Water Company ("Amended Application"). The Amended Application supplanted GSWC's Original Application in its entirety. In its Amended Application, GSWC narrowed its requests to:

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<sup>4</sup> Scoping Memo at 3 (footnote omitted).

1. A WRAM that decouples sales and revenues;
2. Increasing block rates and a reduction of service charges; and
3. A modified cost balancing account ("MCBA").<sup>5</sup>

On May 29, 2007, an Administrative Law Judge's Ruling Consolidating Application Of San Jose Water Company, Modifying Schedule And Addressing Phase I Hearings was filed ("May 29 Ruling"), and a schedule was established that, among other things, created Phase 1B in this proceeding. The May 29 Ruling specified that GSWC's Amended Application would be considered in Phase 1B. An Administrative Law Judge's Ruling Modifying Phase 1B Schedule ("July 30 Ruling") modified the Phase 1B schedule established in the May 29 Ruling. On August 30, 2007, an Administrative Law Judge's Ruling Modifying Phase 1B Schedule ("August 30 Ruling") was issued, which further modified the Phase 1B schedule.

Pursuant to Rule 12.1(b), an all-party settlement conference was held at the Commission on October 12, 2007. DRA and GSWC subsequently entered into the attached Settlement Agreement.

Under the existing schedule, opening testimony on GSWC's rate-related conservation measures is due on October 19, 2007.<sup>6</sup> Although GSWC was able to reach a settlement with DRA on all issues except ROE, GSWC has not, to date, reached a similar settlement with the other parties in this proceeding. Failing to reach settlement with all the parties in this proceeding with respect to its Amended Application requires that GSWC serve its opening testimony in support of its Amended Application on October 19, 2007--the same day as this Motion is filed to approve the Settlement Agreement.

To be clear, GSWC fully supports the Settlement Agreement. GSWC's opening testimony supporting its Amended Application does not address the Settlement Agreement, and its filing of such testimony should not, in any manner, be construed as

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<sup>5</sup> Amended Application at 4, 5 and 14.

<sup>6</sup> August 30 Ruling at 3.



undermining GSWC's commitment to, and support of, the Settlement Agreement and this Motion seeking approval of same.

### **III. SUMMARY OF PROVISIONS OF SETTLEMENT AGREEMENT**

To briefly summarize the Settlement Agreement, the Parties agree that the conservation rate design and relating decoupling mechanisms (WRAMs and MCBAs) constitute a Pilot Program to become effective 90 days after the Commission decision adopting the Settlement Agreement. The conservation rate designs are proposed for six of the nine GSWC ratemaking areas.<sup>7</sup> In Region II and Region III ratemaking areas, the conservation rates for residential customers will consist of a reduced service charge and increasing block rates with two tiers.<sup>8</sup> For non-residential customers in Region II and Region III, the conservation rates will consist of a reduced service charge and an increased uniform quantity charge.

In the ratemaking districts of Bay Point, Simi Valley, Los Osos, and Santa Maria in the Region I area, the Parties propose an interim conservation rate design of a reduced service charge and an increased uniform quantity charge for all customers. In the Settlement Agreement, the Parties agree that evaluation of further reductions to the service charge and implementation of conservation rates for customers in these ratemaking districts will be delayed until the resolution of the pending Region I general rate case.

It is proposed by the Parties that each ratemaking district in Region I and each of Regions II and III will have a separate WRAM and a separate MCBA. As presented in the Region III example (Attachment 1) in the Settlement Agreement, the proposed

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<sup>7</sup> GSWC has nine ratemaking districts: Arden Cordova, Ojai, Clearlake, Bay Point, Los Osos, Santa Maria, Simi Valley (these seven ratemaking districts make up Region I), Region II (South Bay area of Los Angeles County) and Region III (mountains and upper desert areas of Southern California, portions of Orange County and a number of cities in the Inland Empire region east of Los Angeles).

<sup>8</sup> The service areas of Wrightwood and Desert (Apple Valley and Morongo Valley) in Region III are excluded from the rate design of two-tiered rates and reduced service charges as described in more detail in Section IV(C) of the Settlement Agreement.

WRAMs will track the difference between adopted revenue and actual revenues, excluding fire service revenue, unmetered service revenue and other non-generated metered service revenue. The MCBAs will track differences between adopted and actual price and quantity for purchased power, purchased water, and pump taxes.

#### **IV. SPECIFIC QUESTIONS IN THE SCOPING MEMO**

The Scoping Memo states that, in a proposed settlement agreement and/or the motion to adopt the proposed settlement, settling parties must provide certain information and respond to specific questions.<sup>9</sup> The Parties respond to each of these questions in turn.

##### **A. Company Information For Designing Conservation Rates and Related WRAM**

“The motion and/or settlement agreement shall state whether the company has a low-income affordability program, metered service, and monthly or bimonthly bills.”<sup>10</sup>

The Commission approved a low-income ratepayer assistance program ("LIRA") for Regions II and III in D.02-01-034. Pursuant to a settlement agreement dated August 17, 2007 between DRA and GSWC in the Region I GRC proceeding, as of January 1, 2008, GSWC's Region I also will have a LIRA program. The LIRA program generally provides for a 15% discount to qualified residential customers. Residential customers are eligible if they meet the income level and other requirements of the California Alternative Rates For Energy (CARE) program.

All of GSWC's residential customers have metered service connections except in Arden Cordova (Region I) and Calipatria (Region III) where some residential customers have flat-rate service connections.

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<sup>9</sup> Scoping Memo at 3.

<sup>10</sup> *Id.*

The current rates and the frequency of billing for each of GSWC's ratemaking districts is included in the Settlement (see Settlement at Attachment 3).

**B. Impact of Settlement on Low-Income Affordability**

"The motions shall address the impact of the settlement agreements on low-income affordability."<sup>11</sup>

As discussed in greater detail below, the Settlement Agreement proposes a reduction of the service charge and increase in the quantity charge, and a two-tiered, increasing block rate design for residential customers in Regions II and III. For the Bay Point, Simi Valley, Los Osos and Santa Maria service areas in Region I, the service charge will be reduced and the quantity charge increased, while retaining the conventional single quantity rate until a new revenue requirement is established in the pending Region I GRC. The remaining customers in Region I will receive service under their current, single-quantity rate design structure.

The proposed two-tiered rate design establishes tiers based on the consumption patterns and seasonality of each service area. Tier 1 is set at the average winter usage which has been used as a proxy of indoor water use. Tier 2 applies to all consumption above Tier 1. The rate for Tier 1 is discounted relative to the single quantity rate that would be needed to recover the target revenue.<sup>12</sup> The rate of discount for Tier 1 varies by Region/service area and is in the range of 4% to 5%. The rate for Tier 2 is approximately 15% greater than the Tier 1 rate. The breakpoints and pricing of Tiers 1 and 2 ensure that average and low-use customers (including low-income customers) see slight decreases or no changes to their bills. In addition, customers (including low-income customers) with low consumption see greater bill decreases due to the decreased service charge and a discounted Tier 1 rate which is designed to capture indoor use.

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<sup>11</sup> Scoping Memo at 3.

<sup>12</sup> The target revenue refers to the portion of the revenue requirement that is recovered through the quantity (volumetric) charge(s).



### **C. Proposed Conservation Rate Design**

“The motion and/or settlement shall discuss how increasing block rate levels and the percentages between them were determined and shall provide the settling parties’ position on whether the increase in rates between tiers will effectively promote conservation.”<sup>13</sup>

The Settlement Agreement proposes conservation rate designs for residential and non-residential customers in most of GSWC’s service areas. The proposed rate designs meet the Commission’s Water Action Plan objective of setting rates that encourage conservation. The conservation rates provide customers with a greater financial incentive to conserve water which, in turn, will effectively promote conservation. With regard to the proposed increasing block rates in particular, customers will receive more accurate price signals because as they consume more, their average cost per unit will increase. Additionally, because the tier break points are based on consumption patterns and seasonality specific to each service area, customers will receive timely and appropriate signals to reduce their use. In other words, bills will increase in summer months, as they currently do, because of higher consumption that is largely attributable to outdoor use, but the economic incentive for ratepayers to reduce their usage will be greater. Since the proposed rate structure discourages use beyond indoor use, Tier 2 customers will have an economic incentive to reduce their outdoor use.

The Parties do not propose conservation rates for other customer classes, such as: residential flat rate service, sales and services to other utilities for resale and reclaimed/recycled water because these classes do not represent a significant enough portion of GSWC’s revenues to warrant the extensive data analysis that would be required to develop effective conservation rates given the absence in uniformity of consumption for these classes.

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<sup>13</sup> Scoping Memo at 3-4.

## **1. Residential Rate Design**

For residential customers in Region II and Region III, a reduction of the service charge and an increase in the quantity charge, plus a two-tiered increasing block conservation rate design is proposed under the Settlement Agreement. The Ojai ratemaking district in Region I currently has in effect a 3-tiered increasing block conservation rate design, which the Parties propose remain in place. The two-tier conservation rate design is based on the consumption patterns and seasonality of Regions II and III as determined by a consumption (bill frequency) analysis.

The source data for the consumption analysis used was meter readings from calendar year 2006. Within each service area, customers receiving service on the General Metered Service tariff schedule were classified as residential or non-residential. Residential are all metered customers with classification code “1” representing single residences with one dwelling unit.<sup>14</sup>

## **2. Non-Residential Rate Design**

The Parties agree that the conservation rate design proposed for residential customers is currently not feasible for non-residential customers. The Settlement Agreement retains the single quantity rate for GSWC's non-residential customers because developing increasing block rates for such customers is not currently feasible in most districts. Developing increasing block rates would likely require reclassification of these customers based on customer and consumption data that is not available at this time.

The Parties propose recovering more fixed costs in the quantity charge than under the current rate designs. In particular, the Parties propose moving some of the fixed costs currently recovered through the meter charge so that they are recovered instead through the quantity charge. The resulting higher quantity charge provides customers with an incentive to reduce consumption. The specific amount of fixed costs moved to the quantity charge in a particular district will vary depending on the ratepayer impact that

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<sup>14</sup> Non-residential customers are all other metered customers with classification code greater than “1.”

results given consumption patterns of the non-residential customers in that district. Generally, however, the Settlement Agreement reduces meter charges by approximately 5% to 6% with corresponding increases in the quantity charge to achieve revenue neutrality and minimize impact to ratepayers.

The Parties agree that no rate changes are proposed for the following class of customers: other sales and services, residential flat rate service, sales and services to other utilities for resale and reclaimed/recycled water.

#### **D. Elasticity of Demand**

“The motion and/or settlement shall provide data on elasticity of demand, *e.g.*, how do they calculate it, what assumptions were included, what studies were referenced, and what timeframe was used.”<sup>15</sup>

GSWC did not propose to apply a price elasticity factor in its conservation rates, and the Parties agree in the Settlement Agreement that there will not be a price elasticity factor applied to the calculation of the rates. The anticipated demand response is not built into the rates.

The literature on the elasticity of water focuses on long run elasticity, and most demand change studies focus on response to a single price signal or events such as droughts. The Parties modeled various assumptions on demand change to test revenue neutrality and evaluate the impact of the proposed decoupling mechanisms.

#### **E. Effect of Proposed Rate Structures**

“The parties shall provide charts which illustrate the effect of the proposed rate structures, such as marginal and/or average price curves. These charts shall include fixed and consumption charges.”<sup>16</sup>

Attachments 1 and 2 to the Settlement Agreement contain numerous tables and charts that illustrate the impact of the proposed conservation rates on residential and non-

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<sup>15</sup> Scoping Memo at 4.

<sup>16</sup> Scoping Memo at 4.

residential customers in the GSWC ratemaking areas impacted by the Settlement Agreement.

**F. Seasonal Rates**

“If the settlement agreements do not include seasonal rates, the parties shall state why they believe they are unnecessary.”<sup>17</sup>

The Parties agree that, as discussed above, the parameters for developing residential conservation rates incorporate the impact of the seasonality of water use by using seasonal averages to establish break points.

**G. Mechanisms to Decouple Sales from Revenues**

“The parties shall state whether the WRAM includes all or a subset of revenue and the basis for that determination.”<sup>18</sup>

In the Settlement Agreement, the Parties agree that under the existing regulatory framework for GSWC, there is a relationship between sales and revenues, so that as water sales decrease, GSWC’s revenues generally decrease, and vice versa. The Parties agree that a WRAM that ensures the recovery of certain costs regardless of sales volumes significantly reduces the relationship between sales and revenues. The WRAM and MCBA have been structured to minimize the impact of individual customer consumption patterns upon GSWC’s fixed cost recovery while ensuring that GSWC does not over or under recover most of the authorized variable costs that depend on consumption volumes. The Parties understand that GSWC strongly believes that a rate design that is intended to promote conservation could reduce earnings.

**1. Water Revenue Adjustment Mechanisms (WRAMs)**

Under the Commission’s current, traditional rate design for water utilities, 50% of the fixed costs authorized by the Commission are generally recovered through the service charge (also known as the meter charge or the fixed charge). The remaining 50% of

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

fixed costs, as well as 100% of variable costs, are generally recovered through the quantity charge (also known as the consumption charge or the volumetric charge).<sup>19</sup> The specific kind of WRAM proposed in the Settlement Agreement will track recovery of the fixed costs recovered through the quantity charge under the proposed rate design. The proposed WRAM in the Settlement Agreement does not include service charges and other revenues not based on water consumed (e.g. unmetered (flat) rates, fire service and other non-general metered service) because the charges related to those services are charges that customers pay even if they do not consume any water.

## **2. Modified Cost Balancing Accounts (MCBAs)**

GSWC currently has cost balancing accounts (herein referred to as "Supply Cost Balancing Accounts") for certain variable costs in each ratemaking district – purchased power, purchased water, and pump taxes. These existing Supply Cost Balancing Accounts reflect changes in *unit* price (in this case, the unit price of purchased power, purchased water, or pump taxes) but exclude any changes due to changes in *quantities* of purchased power, purchased water or pump taxes. These Supply Cost Balancing Accounts may not adequately capture changes in the cost of service that result from changes in quantity, which can occur as a result of conservation rate design, conservation programs or other factors such as climate. The Commission authorized rate for water is a weighted average cost based on both unit price and the amount of water sold. If unit prices remain the same, but actual sales differ from the adopted quantities, the actual cost for producing water that is attributable to price and quantity may therefore differ from the authorized rate and may be lower or higher than anticipated. Because a Supply Cost Balancing Account does not adequately capture changes, the Company may receive an unanticipated benefit, collecting variable cost that was not actually incurred; or may be unable to cover the cost of the water delivered because it under-collected variable cost in the rates.

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<sup>19</sup> Not all of the rate designs in GSWC's districts have maintained this ratio due to Commission-approved cost allocations designed to moderate the customer bill impacts when rates must be adjusted.

Under the Settlement Agreement, it is proposed that a “modified” supply cost balancing account (“MCBA”) would capture variations due to changes in unit price *and* changes in consumption. Under an MCBA, therefore, ratepayers will get the benefit of not having to pay for variable costs not incurred. Conversely, GSWC will be able to recover variable costs incurred but not included in the adopted rate. In any event, the utility or ratepayer will neither be benefited nor harmed by changes in quantities consumed whether the change is due to conservation or other factors such as climate.

### **3. How the Decoupling Mechanisms Will Work Together**

It is proposed by the Parties that each ratemaking district in Region I and each of Regions II and III will have a separate WRAM and a separate MCBA. This is consistent with Commission adopted ratemaking for GSWC. As presented in the Region III example (Attachment 1) in the Settlement Agreement, the proposed WRAMs will track the difference between adopted revenue and actual revenues, excluding fire service revenue, unmetered service revenue and other non-generated metered service revenue. The differences between adopted and actual price and quantity for purchased power, purchased water, and pump taxes are tracked in MCBAs. The WRAMs will track the portion of GSWC's fixed costs that are recovered through the quantity charge, and all variable costs not included in the MCBAs.

The Parties agree that the desired outcome of and purpose for using these WRAMs and MCBAs are to ensure that GSWC and its ratepayers are proportionally affected when conservation rates are implemented. For the purposes of the Settlement Agreement, a proportional impact means that if consumption is over or under the forecast level, the effect on either GSWC or its ratepayers (as a whole within each ratemaking district) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility nor ratepayers are harmed or benefited at the expense of the other party. Together, the balances of the WRAM and the MCBA in each ratemaking district will be combined so that an under-collection of revenues is recovered through a surcharge on ratepayers, and an over-collection of revenues is given back to ratepayers through a surcredit.



#### **H. Effective Date of Conservation Rate Design**

“The parties shall justify whether the conservation rate design proposal should be effective after completion of this proceeding or after the next GRC.”<sup>20</sup>

The Pilot Program is to become effective 90 days following a decision by the Commission adopting the Settlement Agreement. A decision in GSWC's Region II and General Office Rate Case (A.06-02-023) was recently adopted. GSWC will update the attachments to the Settlement Agreement to adjust the Region II and Region III customer rates to reflect the new Region II and Region III revenue requirements. The Pilot Program will be reviewed in the GRC applications that GSWC files subsequent to the effective date of the Pilot Program. At that time, GSWC, DRA, and the Commission will be able to make adjustments to the conservation rates as appropriate.

#### **I. Customer Education Initiatives**

“The parties shall propose customer education initiatives necessary to implement the settlements, including outreach efforts to limited English proficiency customers, monitoring programs to gauge the effectiveness of the adopted conservation rate design, and recommendations on how these results will be reported to the Commission.”<sup>21</sup>

GSWC agrees to work with DRA and other consumer organizations to develop a customer education and outreach program associated with implementing the new conservation rate design. GSWC has initiated discussions with many of the interveners interested in these programs. GSWC will continue to work with the parties to develop a data collection and customer education plan.

#### **V. THE SETTLEMENT MEETS THE CRITERIA UNDER RULE 12.1**

Rule 12.1 requires that a settlement be “reasonable in light of the whole record, consistent with law, and in the public interest.” The Settlement Agreement meets these

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<sup>20</sup> Scoping Memo at 4.

<sup>21</sup> *Id.*

requirements. First, the Settlement Agreement is reasonable in that it takes into account the requirements of D.06-08-011, principles of conservation rate design as enumerated above, and underlying data unique to these districts including consumption and billing data. Extensive settlement negotiations were accomplished at arm's length over the course of months. The Parties fully considered the facts and the law relevant to this case, and reached reasonable compromises on most of the issues raised in GSWC's Amended Application.

Secondly, the Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement Agreement. The issues resolved in the Settlement Agreement are within the scope of the proceeding. The Settlement Agreement produces just and reasonable rates.

Finally, the Settlement Agreement is in the public interest. The principal public interest affected by this proceeding is delivery of safe, reliable water service at reasonable rates. It advances this interest because it fairly balances GSWC's opportunity to earn a reasonable rate of return against the needs of consumers for reasonable rates and safe, reliable water service. The Settlement Agreement is also consistent with the Commission's Water Action Plan objective for setting rates that balance investment, promote conservation, and ensure affordability. In addition, Commission approval of the Settlement Agreement will provide speedy resolution of contested issues, will save unnecessary litigation expense, and will conserve Commission resources. The Commission has acknowledged that "[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation." *Re PG&E*, D.88-12-083, 30 CPUC 2d 189, 221.

In sum, the Parties believe that the Settlement Agreement and the related documentation convey sufficient information for the Commission to discharge its regulatory obligations. Thus, taken as a whole, the Settlement Agreement satisfies the Commission's standards for approving settlements presented to it.

The Parties have entered into this Settlement Agreement on the basis that the Commission's adoption not be construed as an admission or concession by either Party

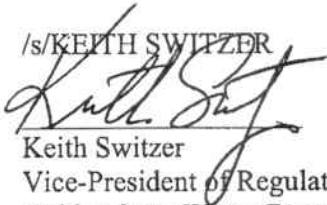
regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the Commission's adoption of this Settlement Agreement not be construed as any statement of precedent or policy of any kind for or against them in any current or future proceedings. Finally, the Settlement is an integrated agreement, so that if the Commission rejects any portion of the Settlement, each Party has a right to withdraw.

## VI. CONCLUSION

For the reasons discussed above, DRA and GSWC urge the Commission to approve the Settlement on WRAM and Conservation Rate Design Issues proposing to implement increasing block rates, to decrease the service charge and increase the quantity charge, to implement Water Revenue Adjustment Mechanism balancing accounts and Modified Cost Balancing Accounts, all as set forth in the Settlement Agreement.

Respectfully submitted,

/s/ KEITH SWITZER

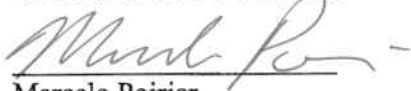


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October 19, 2007

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing document “**MOTION OF THE DIVISION OF RATEPAYER ADVOCATES AND GOLDEN STATE WATER COMPANY TO APPROVE SETTLEMENT ON WRAM AND CONSERVATION RATE DESIGN ISSUES (SETTLEMENT AGREEMENT ATTACHED)**” in **I.07-01-022** by using the following service:

☒ **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

☐ **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on October 19, 2007 at San Francisco, California.

/s/ HALINA MARCINKOWSKI

\_\_\_\_\_  
Halina Marcinkowski

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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